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16 ATTORNEYS FOR CALIFORNIA SELF-
17 INSURERS' SECURITY FUND

18 **UNITED STATES BANKRUPTCY COURT**
19 **NORTHERN DISTRICT OF CALIFORNIA**
20 **SAN FRANCISCO DIVISION**

21 **In re:**

22 **PG&E CORPORATION**

23 **- and -**

24 **PACIFIC GAS AND ELECTRIC**
25 **COMPANY,**

26 **Debtors.**

27 **Tax I.D. No. 94-0742640**

Bankruptcy Case
No. 19-30088 (DM)

Chapter 11

(Lead Case)

(Jointly Administered)

**STATEMENT AND RESERVATION
OF RIGHTS OF THE CALIFORNIA
SELF-INSURERS' SECURITY FUND
REGARDING THE DIP MOTION
AND ENTRY OF THE PROPOSED
FINAL DIP ORDER**

- 28 ☐ Affects PG & Corporation
☐ Affects Pacific Gas and Electric
Company
☒ Affects both Debtors

*All papers shall be filed in the Lead Case, No.
19-030088 (DM)*

1 California Self-Insurers' Security Fund (the "Fund"), by and through its counsel, Nixon
2 Peabody LLP, hereby files this statement and reservation of rights (the "Statement") regarding the
3 *Motion of Debtors Pursuant to 11 U.S.C. §§ 105, 362, 363, 364, 503 and 507, and Fed. R. Bankr.*
4 *P. 2002, 4001, 6003, 6004 and 9014 For Interim and Final Orders (I) Authorizing the Debtors to*
5 *Obtain Senior Secured, Superpriority, Postpetition Financing, (II) Granting Liens and*
6 *Superpriority Claims, (III) Modifying the Automatic Stay, (IV) Scheduling Final Hearing and*
7 *(V) Granting Related Relief* [Docket No. 23] (the "DIP Motion") with respect to entry of the
8 proposed Final DIP Order.¹ In connection therewith, the Fund respectfully states as follows:

10 **Statement**

11 Prior to the Petition Date, Pacific Gas and Electric Company and certain affiliates (the
12 "Debtors") elected to self-insure their workers' compensation obligations under California law.
13 Section 3701 of the California Labor Code requires self-insured employers to deposit security for
14 their obligations in the form of a surety bond issued in favor of the Department of Industrial
15 Relations for the State of California (the "Department"), cash, marketable securities or an
16 irrevocable letter of credit. The amount of the security to be posted by the self-insured employer
17 is determined by, and may be increased or decreased from time to time by, the Department.
18

19 On January 16, 2019, prior to the Petition Date, the director of the Office of Self-
20 Insurance Plans (an office of the Department) sent to the Debtors a demand for the posting of
21 additional collateral in accordance with Section 3701 of the California Labor Code (the
22 "Demand"). As a result of and immediately effective upon and contemporaneous with the
23 Demand, the Fund obtained a valid and perfected lien on the Debtors' assets pursuant to Section
24 3701(k) of the California Labor Code (the "Fund Lien").
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28 ¹ Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the DIP Motion.

1 On January 31, 2019, the Court entered the Interim DIP Order [Docket No. 217] providing
2 for, among other things, treatment of the Fund Lien, and use of the Fund's cash collateral
3 thereunder, on an interim basis, for the period through entry of the Final DIP Order.

4 Since entry of the Interim DIP Order, the Fund has been engaged in productive
5 discussions with the Debtors and the Official Committee of Unsecured Creditors to address the
6 Fund's concerns regarding the treatment of the Fund Lien, and its cash collateral thereunder, with
7 respect to entry of a Final DIP Order. As a result of those discussions, the Fund has reached an
8 agreement with the Debtors concerning language that will be included in the form of proposed
9 Final DIP Order that will allow for the Debtors' continued participation in the self-insurance
10 program of the Department through the pendency of these Chapter 11 Cases and will avoid any
11 disruption of the Debtors' workers' compensation insurance coverage or the need to purchase
12 alternative coverage.
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14

15 By and through this Statement, the Fund expressly reserves any and all rights to object to
16 entry of the Final DIP Order and the Debtors' ongoing participation in the self-insurance program
17 in the event that the proposed form of Final DIP Order fails to contain the agreed upon language
18 or the Debtors or the Court further modify the Final DIP Order in a way that adversely impacts
19 the Fund, the Fund Lien and its cash collateral thereunder without otherwise providing adequate
20 protection in a form acceptable to the Fund.
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1 DATED: February 22, 2019

NIXON PEABODY LLP

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3 By: /s/ William S. Lisa

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